

AMENDED IN ASSEMBLY APRIL 7, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 1728

Introduced by Committee on Insurance (Vargas (Chair), Calderon, Chavez, Correa, Diaz, Dutra, Jerome Horton, Koretz, Nakano, and Ridley-Thomas)

March 4, 2003

An act to amend Section 10236.12 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1728, as amended, Committee on Insurance. Insurance actuaries.

Existing law provides for the regulation of long-term care insurers by the Insurance Commissioner. Existing law requires all actuaries used by the commissioner to review rate applications submitted by long-term care insurers, *whether employed by the department or secured by contract*, to be members of the American Academy of Actuaries and have 5 years' relevant experience in long-term care insurance industry pricing.

This bill would authorize the commissioner to review and negotiate rates charged by *contracting* actuaries to insurers submitting applications ~~through contracting actuaries~~ in order to ensure the rates do not exceed the average of actuarial rates charged in the private market.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 10236.12 of the Insurance Code is amended to read:

10236.12. (a) All actuaries used by the commissioner to review rate applications submitted by insurers pursuant to this chapter, whether employed by the department or secured by contract, shall be members of the American Academy of Actuaries with at least five years' relevant experience in long-term care insurance industry pricing. If the department does not have actuaries with the experience required by this section, the commissioner shall contract with actuaries to review all rate applications submitted by insurers pursuant to this chapter. If the department has actuaries that have experience required by this section, but not enough of those experienced actuaries to perform the volume of work required by this chapter, the commissioner may contract with independent actuaries, as necessary.

If the commissioner contracts with independent actuaries, the commissioner shall promulgate regulations to maintain the confidentiality of rate filings and proprietary insurer information and to avoid conflicts of interest.

(b) The commissioner may, *with respect to actuaries that have contracted with the department pursuant to subdivision (a),* review and negotiate rates charged by *those* actuaries to insurers submitting applications ~~through contracting actuaries~~ in order to ensure that the rates do not exceed the average of actuarial rates charged in the private market.